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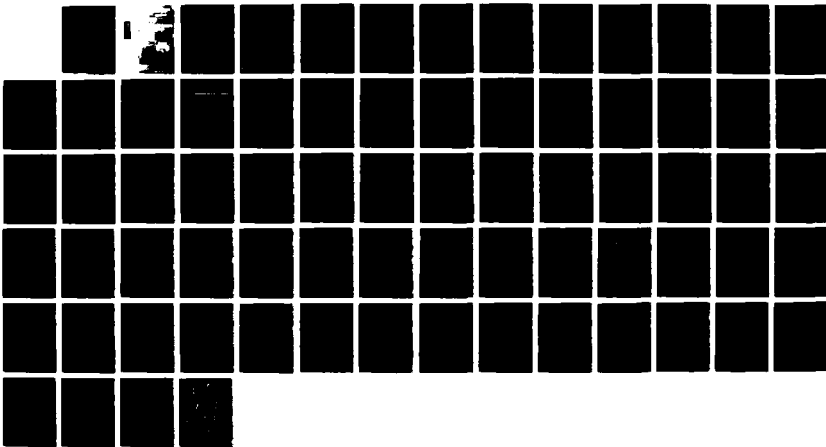
WELFARE: EXPERT PANEL'S INSIGHTS ON MAJOR REFORM  
PROPOSALS(U) GENERAL ACCOUNTING OFFICE WASHINGTON DC  
HUMAN RESOURCES DIV 03 FEB 88 GAO/HRD-88-59

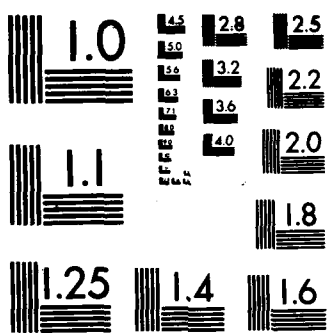
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Washington, D.C. 20548

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Human Resources Division

B-225966

February 3, 1988

The Honorable John Glenn  
Chairman, Committee on  
Governmental Affairs  
United States Senate

Dear Mr. Chairman:

Your July 7, 1987, letter asked us to convene two panels of experts knowledgeable about the administration of welfare programs—one panel at the national level and another at the local level. We did so and obtained their insights on four welfare reform issues: (1) case management, (2) contracts between welfare recipients and agencies, (3) coordination of services, and (4) target populations.

We contracted with the National Academy of Public Administration to convene the panel at the national level. It met in Washington, D.C., on July 21, 1987, and its final report, Welfare Report Dialogue: Implementation and Operational Feasibility Issues, was sent to you on September 30. Overall, the panel supported reform of the welfare system and urged that states be given discretion to design programs suitable to their client populations, economies, existing service networks, and available resources.

The second panel, which we sponsored with the Federation for Community Planning in Cleveland, met on August 13, 1987. Its final report, Workability of Welfare Reform: A Local Perspective, was sent to you on November 9. Like the national panel, this panel also supported reform of the welfare system and urged state and local discretion in designing programs to fit particular conditions—such as limited employment opportunities and scarce resources.

As requested, this report summarizes the views of both panels on each of the four issues. The panelists did not limit their discussions to these issues, but discussed other fundamental aspects of welfare reform as well. Thus, we are also summarizing their insights on these additional issues for your consideration. The issued reports on the two panels are included as appendixes II and III.

## Case Management

Both panels supported the case management concept—the brokering and coordinating of multiple social, health, education, and employment services—and the related use of a single case manager as important ways to help welfare recipients achieve self-sufficiency. The panels discussed the myriad of activities that case managers could perform and the need for additional staff, and perhaps some new skills, to perform these activities (see pp. 8 to 10). The principal concerns raised by the panels are whether:

- Additional resources are available for implementing the case management concept, including hiring additional caseworkers, retraining caseworkers, and automating case management systems.
- The tools will be available to the case manager to assess clients' needs, monitor recipient progress, and refer clients to needed services outside the welfare agency. The necessary tools include automated data processing support, inventory of services, and contracts with service providers.
- Eligibility criteria, rules, and regulations can be simplified to facilitate the case management concept. For example, can Food Stamp and Aid to Families with Dependent Children (AFDC) eligibility criteria be integrated?
- States will be given flexibility in setting new staffing patterns and assigning case management responsibilities.

## Agreements and Sanctions

In general, neither panel supported the concept of binding agreements between the agency and recipient, and related sanctions. Panelists suggested that sanctions have not worked in the past and are unlikely to work in the future. They generally favored some form of agreement between the agency and recipient, but not formal agreements tied to sanctions that would bring additional complexity and administrative burden (see pp. 10 to 11). Some of the concerns expressed by the panel are whether:

- Binding agreements will achieve intended outcomes, given the unlikelihood that these contracts or agreements could be enforced.
- Considering the administrative burden, binding agreements with sanctions are cost effective.
- Agreements in proposed legislation should be subject to fair hearings and quality control reviews.
- State and local governments will be given flexibility in developing the terms of agreements and the option of not imposing sanctions.

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- Extending—beyond what has been included in proposed legislation—the support periods for such critical services as Medicaid and transportation after a recipient takes a job and has left the welfare rolls.
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As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script that reads "Franklin Frazier".

Franklin Frazier  
Associate Director

## Coordination of Services

Both panels saw a need for better coordination and integration of available services and recognized that proposed reforms would make that need much greater (see pp. 11 to 12). Concerns raised by the panels are the extent to which:

- Existing welfare programs and services will be better integrated and measures taken to guard against adding new layers of services and organizations without the necessary coordinating mechanisms.
- State and local agencies could be given greater flexibility to adapt program plans and incentives to fit their particular coordinative needs and circumstances.
- Incentives are provided for states to solicit local input to overall state plans.

## Target Populations

Both panels supported the idea of greater targeting of services to specific populations and tailoring certain benefits and services for such groups (see pp. 12 to 13). Suggested target groups and related considerations are:

- AFDC-Unemployed Parents. The additional costs and administrative burdens to states not now offering the AFDC-Unemployed Parent program would need to be contrasted with the program's potential benefits and positive effects.
- Youthful welfare recipients. This option would require consideration of whether teenage recipients subjected to mandatory work requirements respond differently than other age groups and whether their special needs should be factored into the design of work/welfare programs.

## Additional Panel Views

The panels discussed several other issues that bear on the workability of proposed reforms (see pp. 13 to 14). The panels suggested that consideration be given to:

- Mandating a basic program of welfare-to-work services, below which states could not fall, and including incentives for states to develop more comprehensive services.
- Setting goals and performance measures for each state's work program that take into account such factors as caseloads and their characteristics, job opportunities, and resources.
- Developing measures of program performance in terms of such outcomes as quality, numbers, and duration of job placements rather than simply the number of program participants.





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## Abbreviations

|      |   |
|------|---|
| AFDC | Aid to Families With Dependent Children   |
| GAO  | General Accounting Office                 |
| NAPA | National Academy of Public Administration |



# Welfare: Expert Panels' Insights on Major Reform Proposals

## Introduction

The Congress is considering legislation to reform the welfare system, including placing greater emphasis on work incentive programs for recipients of the Aid to Families With Dependent Children (AFDC) program. A stated goal of the reform legislation is to help AFDC recipients achieve economic independence.

Concerned about the administrative feasibility of welfare proposals, the Senate Committee on Governmental Affairs asked us to convene two panels of welfare experts, one each at the national and local levels, to give the Committee insights on four aspects of the major reform proposals:

- Providing case management, including automated systems.
- Using contracts between welfare agencies and recipients,
- Coordinating services for both mandatory and voluntary recipients,
- Developing target populations of recipients.

The National Academy of Public Administration (NAPA) convened the national panel in Washington, D.C., on July 21, 1987. The NAPA panel consisted of state and local managers and welfare administrators and evaluators. The Federation for Community Planning convened the local panel in Cleveland on August 13, 1987. The Federation panel consisted of local/state administrators, client groups, service providers, and academicians. The panels discussed two specific bills: The House Ways and Means bill entitled The Family Welfare Reform Act of 1987, H.R. 1720, and the Senate bill entitled The Family Security Act, S. 1511.

NAPA's report was sent to the Committee's Chairman on October 30, 1987 (see app. II). The Federation report was sent on November 9, 1987 (see app. III). Our synthesis of the two reports follows.

## Case Management

Case management—the brokering and coordinating of multiple social, health, education, and employment services—is proposed under the House and Senate bills to provide better services to help recipients achieve self-sufficiency and to provide the services more efficiently. State agencies would assess recipient skills, such as education and employment, and other family needs. Under the House bill, an agency staff member would provide case management services, including brokering on behalf of the family for services needed, and monitor progress of the recipient. Under the Senate bill, the state agency may assign a case manager to each family participating in the program.

Overall, the panels supported the idea of case management as an important way to improve service delivery and help welfare recipients achieve self-sufficiency. The panelists believed, however, that case management feasibility is contingent on resolving issues of related staff changes and other administrative concerns.

We asked panel members to consider the key functions involved in case management. The NAPA panel discussed coordination and monitoring as case management functions. The panel noted that the proposed case management functions would differ substantially from the current role of welfare staff in most states and expressed concern about resources needed to perform these functions.

The Federation panel discussed four case management functions: (1) assessment of the welfare recipients' needs; (2) identification/inventorying of service availability; (3) provision of services, such as through contracts with service providers; and (4) monitoring activities. The panelists believed that needs assessments combined with other case management functions could help recipients achieve self-sufficiency, a goal of welfare reform. This panel also had concerns about whether resources will be available to implement case management and whether adequate employment opportunities would exist after recipients were educated or trained.

A major case management issue is the availability of caseworkers. According to the NAPA panel, caseworkers' roles have become more difficult over time due to increased program complexities. One suggested solution was to reduce program complexity to free up current caseworkers' time. Other suggestions were to (1) retrain caseworkers for new responsibilities and (2) hire additional caseworkers. The panelists agreed that states should be given flexibility in setting new staffing patterns and assigning case management responsibilities. Also, the panelists pointed out that, because the error rate in eligibility determinations would likely go up as workers struggled with their new responsibilities, states should be held harmless on error rates for several years as they learn new ways of operating.

According to the Federation panel, caseworkers and social workers already work at or beyond planned capacity. They wondered where new caseworkers would come from, and if there would be enough caseworkers, given the high ratio of caseworkers to welfare recipients needed for effective case management. The Federation panel also

expressed concern about a potential problem of dealing with union personnel under a legislatively reformed program that required a change in existing job duties and responsibilities.

Finally, to make case management work, both panels advocated providing additional automated data processing resources. The Federation panel, however, suggested such additional resources would not be welcome if it meant adding to the already heavy administrative workload.

The panels raised the following concerns about case management:

- Are additional resources available for implementing the case management concept, including hiring additional caseworkers, retraining caseworkers, and automating case management systems?
- Will the necessary tools (e.g., automated data processing support, inventory of services, contracts with service providers) be available to the case manager to assess clients' needs, monitor recipient progress, and refer clients to needed services outside of the welfare agency?
- Can the eligibility criteria, rules, and regulations of key programs be simplified to enable caseworkers to spend more time on case management (e.g., integrate Food Stamp and AFDC eligibility criteria)?
- Will states be given flexibility in setting new staffing patterns and assigning case management responsibilities?

## Agreements and Sanctions

Welfare reform legislation contains the concept of shared responsibility between the welfare recipient parents, who are to support their children, and the welfare agency, which is to help parents meet their responsibility through expanded opportunities in education and training. The House and Senate bills provide for the welfare agency to negotiate a binding agreement with each welfare recipient that details responsibilities of the recipient and the agency. The bills also provide for states to sanction recipients who fail to participate in the program.

In general, neither panel supported the concept of sanctions. Panelists suggested that sanctions have been tried in the past and have not worked. They generally favored some form of agreement between the agency and recipient, but not legally binding agreements tied to sanctions that would bring additional complexity and administrative burden.

The NAPA panel questioned the welfare agencies' ability to enforce binding agreements. They agreed with the concept of a mutual understanding between the recipient and the agency that would clarify what the

agency expected of the recipient, set a plan for the recipient, and specify how welfare benefits fit into the recipient's overall goal. The panel concluded that such service agreements would be more effective in dealing with recipients, but an enforceable agreement would be more politically attractive. The panel believed that, if sanctions were written into legislation to gain political support, the states should be given the option of not imposing them.

The Federation panel strongly disagreed with the idea of using binding agreements with sanctions and requiring mandatory work program participation. Their position was based on their belief that (1) welfare recipients would leave the welfare system if provided sufficient incentives and supports to help get them off, (2) an adversarial relationship would be created between the agency and recipient, (3) people might be forced into low-paying jobs, and (4) another burden would be added to administrators' workload. Also, panelists questioned whether such a system would be cost beneficial. While the Federation panel favored using agreements for the purpose of setting expectations, the panel members disagreed on the need for formalizing agreements in writing.

Based on the panel discussions, potential implementation methods raise such questions as:

- If binding agreements are required, what is the probability of achieving intended outcomes, given the unlikelihood that these agreements could be enforced?
- Is the burden of administering binding agreements with sanctions cost effective?
- Should agreements in proposed legislation be subject to fair hearings and quality control reviews?
- Will state and local governments be given flexibility in developing the terms of agreements and the option of imposing sanctions?

## Coordination of Services

Reform proposals offer welfare recipients expanded opportunities in education and training. Other supports, such as day care, transportation, and health care, also would be provided. The issue is what can be done to coordinate delivery of these services to bring expanded benefits and services together. Both panels were asked to consider how services could be effectively coordinated under a revised welfare system.

Reducing existing program complexities and using a single point of program accountability for any new welfare program would be necessary,

according to both panels. Better coordination of the Food Stamp and AFDC programs, for example, was mentioned as a way to reduce the complexity of program eligibility determination and other rules that reduce the potential for coordinating activities at the state and local levels.

Both panels also advocated that the federal, state, and local welfare agencies be the central point for funding and accountability for services such as jobs programs and compensatory education to assure that welfare recipients have access to the services. The NAPA panel noted, however, that coordinative linkages between programs at the state and local levels could not be federally mandated because of entrenched power structures, but would have to be worked out in each state. The Federation panelists, noting that the needs of counties within a state differ, proposed that legislation include incentives to encourage states to solicit more local input to statewide welfare plans.

If welfare reform proposals are enacted that include the concept of coordinating services to bring together expanded benefits and services, assuring that coordination occurs should not be left to chance. Concerns raised by the panels are the extent to which:

- Existing welfare programs and services will be better integrated and measures taken to guard against adding new layers of services and organizations without the necessary coordinating mechanisms.
- States and local agencies could be given flexibility to adapt program plans, incentives, and coordinative linkages appropriate to their service population and local economy.
- Incentives are given states to solicit local input to overall state plans.

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## **Target Populations**

Both reform bills would have states select target populations of welfare recipients and provide additional benefits and services to help these recipients achieve self-sufficiency. Both panels believed that the concept of target populations and providing welfare recipients additional benefits and services made sense but were concerned about who should be served first.

The NAPA panel indicated that the "hard-to-serve" population should be the first to target, defining hard-to-serve in terms of length of time on welfare and unemployment. The Federation panel defined priority target populations as the AFDC-Unemployed parents and younger welfare recipients. The Federation panel also suggested targeting the young

male population found on the states' nonfederal general assistance welfare rolls who, according to the panel, are often the absent fathers not paying child support to AFDC children.

Suggested target groups and related considerations are:

- Regarding AFDC-Unemployed parents, what would be the additional costs and administrative burdens to states not now offering the AFDC-Unemployed Parent program, contrasted with the program's potential benefits and positive effects?
- Will youthful recipients respond differently to mandatory work requirements than other groups and must their special needs be factored into the design of work/welfare programs?
- Should the states' nonfederal assistance participants be considered as a target group?

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## **Additional Panel Views**

Besides addressing the four specific major issues requested by the Committee, the panels discussed the following issues they considered important in considering welfare reform.

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### **Minimal Work Program Requirements**

The NAPA panel suggested that the federal government mandate a basic program of welfare-to-work services, a floor below which states could not fall, and include incentives for states to develop more comprehensive services.

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### **Resource Constraints and Performance Standards**

Two fundamental reform issues raised by the Federation panel were (1) the extent to which adequate employment opportunities will be available to welfare recipients and (2) the extent to which adequate resources will be available not only to educate and train recipients, but also to provide other supports, such as day care, transportation, and health care.

The potential lack of employment opportunities and resources for support programs led the Federation panel to conclude that a goal of making numerous welfare recipients self-sufficient may be too broad and that it would be better to adopt a small program initially rather than risk losing welfare reform entirely by emphasizing a very large effort.

The NAPA panel considered absolute national performance standards as unworkable because of differences among states in the local economy,



service populations, and program design. The panel believed that any national performance standards should be relative, in terms of the states' performance over time or in relation to the goals set in its plan. The panel agreed that measuring program performance by outcomes, such as job placements, was more valuable than measuring by participation of recipients in the program.

The panels believed that consideration should be given to:

- Mandating a basic program of welfare-to-work services, below which states could not fall, and including incentives for states to develop more comprehensive services.
- Setting state-by-state work program goals and performance measures that take into account such factors as case loads and their characteristics, available job opportunities, and resources.
- Developing measures of work program performance in terms of such outcomes as quality, numbers, and duration of job placements rather than simply by the number of program participants.

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## **Transitional Time Frames**

The Federation panel advocated extending—beyond what has been included in proposed legislation—the support periods for such critical services as Medicaid and transportation after a recipient takes a job and has left the welfare rolls.

# Letter and National Academy of Public Administration Panel Report Entitled "Welfare Reform Dialogue: Implementation and Operational Feasibility Issues"

GAO

United States  
General Accounting Office  
Washington, D.C. 20548

Human Resources Division

HR7-140

September 30, 1987

The Honorable John Glenn, Chairman  
Committee on Governmental Affairs  
United States Senate

Dear Mr. Chairman:

Your July 7, 1987, letter, asked us to convene two panels of experts knowledgeable about the administration of welfare programs--one panel at the national level and another at the local level. We have done so and obtained their insights on certain proposed welfare reform issues--(1) case management, (2) contracts between welfare recipients and agencies, (3) coordination of services, and (4) target populations.

We contracted with the National Academy of Public Administration to convene the panel at the national level. The panel met in Washington, D.C., on July 21, 1987, and the final report, Welfare Report Dialogue: Implementation and Operational Feasibility Issues, is enclosed. Overall, the panel supported reform of the welfare system, but urged that states be given discretion to design programs suitable to their client populations, economies, existing service networks, and available resources.

The second panel was sponsored with the Federation for Community Planning in Cleveland, Ohio, and met on August 13, 1987. It represented academia, social services providers, welfare agencies, employment agencies, and educational institutions. As agreed with the Committee, we will issue a report in October on that meeting. We also plan to issue a report, as soon as possible, summarizing the views of both panels as they relate to proposed welfare reform legislation.

Should you have any questions, please call Mr. Franklin Frazier, Associate Director, on 275-6193.

Sincerely yours,



Richard L. Fogel  
Assistant Comptroller General

Enclosure

WELFARE REFORM DIALOGUE:  
IMPLEMENTATION AND OPERATIONAL FEASIBILITY ISSUES

Report of Panel Discussion  
July 21, 1987

An Occasional Paper  
for the

General Accounting Office  
at the request of the

Committee on Governmental Affairs  
United States Senate

September, 1987

National Academy for Public Administration

Don Wortman  
Project Director

Bonnie Sether Hasler  
Reporter

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Letter and National Academy of Public  
Administration Panel Report Entitled  
"Welfare Reform Dialogue: Implementation  
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Welfare Reform Dialogue:

Implementation and Operational Feasibility Issues

Executive Summary

On July 21, 1987, a panel of welfare administrators and researchers met at the National Academy for Public Administration (NAPA) to examine the administrative aspects of three legislative proposals for reforming the AFDC program. These proposals included the House Ways and Means bill, H.R. 1720, substitute amendments offered by the House Education and Labor Committee, and S. 1511, introduced in the Senate Finance Committee. The meeting was co-sponsored by NAPA and the General Accounting Office (GAO) and held at the request of Senator John Glenn of the Governmental Affairs Committee.

The welfare reform dialogue panel discussed a great number of issues involved in welfare reform and proposed many substantial changes in the pending legislation. The panel did not limit itself to operational issues but also discussed the design of the program, and these issues are presented in this paper as well. No formal effort at a consensus was made, but the panelists were in substantial agreement on many issues. While it cannot be said that every panelist agreed with every point made, there was little disagreement.

The changes proposed are summarized below in relation to areas of concern raised by Senator Glenn.

Case Management

- States should be allowed flexibility in developing staffing patterns. A single point of contact for clients with the agency may not be feasible in all instances.
- The responsibilities of the case manager should extend beyond the limits of the welfare agency, encompassing a broad variety of needed services.
- Automation is necessary to make case management work, and states should be allowed more flexibility in developing systems. The higher match for data processing is less desirable than latitude in designing systems.
- The additional responsibilities of the case manager can only be assigned to the eligibility workers if they are relieved of other responsibilities. Simplification of eligibility rules and procedures, as well as integration of Food Stamp with AFDC eligibility, should accompany the increased responsibilities.

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- States should be held harmless on Quality Control sanctions for a transitional period.

Contracts and Sanctions

- Service plan agreements are more appropriate than contracts, for it is unlikely that contracts can be enforced.
- States should be allowed flexibility in applying sanctions, since sanctions are rarely effective in forcing unmotivated clients to participate and are time consuming for workers. However, the legislation should contain provisions for sanctions to gather political support.
- The provisions of service agreements or contracts should not be subject to a fair hearing since this will become an escape for unmotivated clients. Only adverse actions resulting from the agreement should be subject to due process.
- The provisions of the agreements or contracts should not be subject to quality control review because satisfaction of the terms of the agreement by the client or the agency may be subject to varying interpretations and difficult to define.

Program Design Issues

- States should be allowed discretion to design service programs suitable for their client populations, economies, existing service networks, and available resources. States should enter into a contract with the federal government in which they define what services will be offered and what outcomes will result.
- The legislation should require that a minimal service program be developed and include incentives for states to develop a more comprehensive program. It should not mandate a comprehensive list of services.
- The legislation should clearly state the goal of the program.
- National performance standards should be relative, not absolute. States should be evaluated in terms of the goals set in their plans and their performance over time. Minimal national standards of performance would not reflect the diversity of either the states' welfare populations or their economies.

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- Performance should be measured in terms of outcomes, e.g., job placements, not simply participation.

Coordination of Services

- The lead agency at both the state and national level should be the welfare agency, not the labor or employment agency. This will assure concentration of resources on the welfare recipient and coordination with other services.
- Further demonstration of simplification proposals and extensive waiver authority are necessary to allow integration of services. Demonstration and waiver authority should extend to the Food Stamp program.

Target Populations

- Services should be directed to those who are "hard-to-serve" but who can benefit from the services. These groups are defined in terms of length of time on welfare and unemployment.
- State efforts to serve the "hard-to-serve" should be measured by expenditure of funds, not numbers of participants.

The panel recognized that the pending legislation will not solve all the problems of the welfare system, but appreciated that a serious attempt is being made in this direction. Implementing the legislation will provide a challenge to everyone involved.

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WELFARE REFORM DIALOGUE:

IMPLEMENTATION AND OPERATIONAL FEASIBILITY ISSUES

1. Introduction

Increased concern about the "feminization of poverty" and the large number of poor children has placed welfare reform on the national agenda after a long absence. Policy makers have long been concerned with the failure of the welfare system to solve problems of poverty, but the conflicting goals of welfare doomed past attempts at reform. Welfare is a paradoxical network of programs that aims to provide sufficient benefits to meet the basic needs of the poor, yet these benefits must be so low that the poor have a clear interest in leaving the system. The system attempts to encourage its clients to forego the security it provides.

In 1987, new efforts at welfare reform have been introduced into Congress. Pending legislation proposes sweeping changes in the conceptual framework, goals and operations of the nation's primary mechanism for helping impoverished families, Aid to Families With Dependent Children (AFDC), although states and localities have tested many of the ideas involved. This proposed legislation will change the way many local welfare departments interact with their clients, will change the expectations placed upon clients, and has the potential for changing the terms of the existing partnership between states and the federal government. Before this legislation is enacted, it is important to examine its implications for state and local operations. This paper identifies some issues of operational feasibility in the proposed legislation, based on a dialogue between welfare practitioners and researchers. The dialogue was conducted on July 21, 1987, under the sponsorship of the General Accounting Office and the National Academy of Public Administration at the request of the Senate Committee on Governmental Affairs.

This paper is divided into four sections and an Executive Summary. The Summary which precedes this Introduction, identifies implications for the legislation. Section 1 describes the context for welfare reform, the pending legislation, and the mandate for the dialogue. Section 2 explores issues in the legislation affecting state-federal relations. Section 3 examines issues related to service delivery and client-worker interactions. Section 4 discusses target groups for the program.

1.1 Context for Welfare Reform

Aid to Families with Dependent Children (AFDC), the welfare program under discussion in this paper, was enacted in the Depression as Title IV-A of the Social Security Act in order to provide financial assistance to children deprived of parental support due to the death or disability of their fathers. Later, deprivation of support due to

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continued absence or unemployment (at state option) was added to the legislation, providing support for divorced, separated and never-married women and their children. The deprivation factor for approximately 85% of AFDC cases is now continued absence.

Several developments in the 1960s and 1970s made dependence on AFDC at odds with society's expectations:

- Increased divorce and illegitimacy rates led to a growth in female-headed households with children. Many of these women relied on AFDC in lieu of support from the fathers of their children.
- Increasing numbers of mothers -- whether single or married -- entered the work force, voluntarily or because of economic necessity. By contrast, many mothers who relied on AFDC did not work.

Analysts differ on whether the availability of AFDC led to the creation of female-headed households, or whether the growth in the welfare population resulted from other destabilizing pressures on the family. However, the public acceptance of welfare has clearly changed in reaction to the changed role of women and the cost of AFDC in a time of federal budget deficits. When society considered that a mother's first responsibility was to provide on-going care and supervision for her children, single mothers who chose to stay home with their children were accepted. But when working and middle-class women chose to enter the labor force, the dependence of poor non-working mothers on public funds became less acceptable.

Welfare reformers traditionally have approached the problem from two directions. Some sought to assure adequate benefits, arguing that people who are ill-fed, ill-clothed or ill-housed will have minimal energy or motivation to seek employment. They argued that the children were the innocent victims of their parents' poverty. Adequate benefits were essential if the children were to become healthy individuals able to support themselves. This approach sought carrots to encourage welfare mothers to seek and obtain employment.

Others argued that generous benefits only robbed welfare mothers of their motivation. Recipients have no reason to seek work when they could maintain an adequate level of living without work. They saw poor children victimized in a different way: lacking role models of responsible working family members. Rather than carrots, this approach sought sticks to force fathers to support their children and mothers to become self-sufficient.

As a result, past efforts at comprehensive welfare reform failed. Add-ons to the welfare system such as the Work Incentive Program (WIN) and the Child Support Enforcement (CSE) program sought to reduce dependence and government expenditures; and eligibility rules were refined, making it either easier or harder for a family to



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qualify, depending on the philosophy of the dominant political force at the time.

In the 1980s the climate for welfare reform has changed. Recent research on the welfare dependency, teen pregnancy, and family structure has led to a reexamination of the basic tenets underlying the AFDC program. The alarming rate of poverty among children has convinced many that the current welfare system is not adequately serving the needy and must be changed.

The current interest in welfare reform can be traced to President Reagan's State of the Union Address in 1986, when he asked the Domestic Policy Council to evaluate the welfare system and propose changes. Mistrustful of the expected outcome of this evaluation, other policy-makers in the welfare network initiated their own evaluations and recommendations for reform. The American Public Welfare Association, which represents the nation's state and local welfare administrators, the National Governors' Association, and others have presented proposals for welfare reform. To the surprise of many, a consensus has emerged. The legislation recently introduced in Congress reflects this consensus.

#### 1.2 Pending Legislation

Legislation had been introduced into both the House of Representatives and the Senate to reform substantially the AFDC program. The proposed legislation in both houses will replace the AFDC program with a different mechanism.

- H.R. 1720, the Family Welfare Reform Act of 1987, was approved by the House Ways and Means Committee on June 11, 1987.
- Substitute amendments to H.R. 1720 were offered by the House Education and Labor Committee on July 16.
- S. 1511, the Family Security Act of 1987, was introduced into the Senate Finance Committee on July 21, 1987.

The discussion of these proposals reflects their status as of July 21, 1987, the date of the welfare reform dialogue.

#### The Family Welfare Reform Act of 1987 (H.R. 1720) - Ways and Means Version

H.R. 1720 would replace AFDC with a Family Support Program (FSP) which considers the family as its own source of support through work, payment of child support, and need-based support supplements when necessary. The bill establishes a National Education, Training and Work (NETWork) Program which would provide education, training and work experience for adult recipients of assistance. This would be operated by the state welfare agency.

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All recipients aged 16 to 60 would be required to participate, unless they are ill, disabled, pregnant, responsible for the care of a disabled family member, working full or part time, or live in an area where the program is not offered. Parents of children under three years of age are not required to participate unless the state provides acceptable infant care. Parents of children aged three to five are required to participate part time. The program is targeted at families with teenage parents or young adults who became parents while in their teens; families who have received assistance continuously for over two years; and families with children under six years of age. Priority for service would be given to those in the target groups who volunteer, followed by those in the target populations who are required to participate.

NETWork includes orientation of applicants for assistance, assessment, case planning, case management based on a agency-client agreement, and a range of activities. The bill contains a list of manpower development services states are required to offer participants, including the opportunity to obtain a high school diploma, work supplementation, community work experience, and job placement. Services would be provided to children to encourage them to stay in school. Day care and transportation to work must also be provided. Recipients can be sanctioned for failure to participate by loss of benefits.

The federal government would pay 65% of the cost of education and training services, and 50% of the cost of administration and case management.

Eligibility for Medicaid would be extended for six months after a family left the FSP program as a transition into the world of work.

The bill contains amendments to the Child Support Enforcement Program designed to strengthen the program, impose uniform guidelines for court orders, encourage states to establish paternity even if the father is not able to support the child, and to withhold support payments from wages. The bill also contains provisions requiring most teenage parents to live with their own parents or guardians and requires states to provide assistance to two parent-families (AFDC-UP). Higher federal financial participation (FFP) for benefit increases would encourage states to increase their grant amounts.

The Education and Labor Version of H.R. 1720

The House Education and Labor Committee offered amendments in the form of a substitute to the Ways and Means bill, renaming NETWork the Fair Work Opportunities Program (FWOP) and placing it under the jurisdiction of the Department of Labor. The governor of each state would have the option of placing the program in the welfare department, the employment service agency, or another agency. FWOP is considered to be a replacement for WIN. Another significant difference

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between FWOP and NETWORK is that under FWOP the state must assure appropriate care for the children of participants up to age 14. FWOP eliminates the community work experience option, and provides subsidized jobs for recipients unable to find regular work.

The Family Security Act (S. 1511)

The Family Security Act replaces AFDC with new provisions for child support that stress family and community obligation, enforce the principle that child support is first the responsibility of parents and that the community has the obligation to enable the parents to meet their responsibility through expanded opportunities in education and training. If families are unable to support their children, they may receive child support supplements (CSS), which would replace AFDC payments.

The emphasis of the Family Security Act is on child support enforcement. Various amendments to the current legislation strengthen the states' ability to collect child support payments through wage withholding, establishing paternity, and increased automation of the program. These provisions are similar to those in H.R. 1720.

The bill also establishes a Job Opportunities and Basic Skills (JOBS) program administered by the state welfare agency. States would design their own JOBS program and could include a variety of education, training and work requirements. All recipients of CSS payments would be required to participate unless they were ill, incapacitated, or advanced age, needed to care for an incapacitated family member or a child under age three, work over 30 hours a week, under 16 and in school, pregnant, or live in an area where the program is not available. Parents of children aged three to six and secondary wage earners would only be required to participate part time. Absent fathers not able to meet children support obligations could be required to participate in the program as well.

While the bill does not establish priorities for services, it does discourage states from concentrating services on the most employable. States would earn a higher rate of FFP if 60% of the state's expenditures under the program are used to serve individuals who have received CSS payments for 30 out of the past 60 months, parents under age 22 who have not earned a high school diploma, or are unemployed.

States would have flexibility in designing their programs. They would be required to assess each family's circumstances and develop an employability plan. They may require individuals to enter into a contract with the state agency, and they may provide case management. The program may include any of a number of services, but the only required service is education for parents under age 22 who have not earned a high school diploma. States are authorized to offer work supplementation and community work experience. The state may sanction individuals who do not participate in the program by removing them

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from the CSS grant.

Medicaid and child care assistance are extended to families for nine months after they earn their way off the CSS program. In addition, the Earned Income Tax Credit is adjusted to take into account family size and to offset the cost of social security taxes.

The bill requires that most teen parents live with their own parents and that CSS grants be paid to teen's parent or guardian. States are also required to offer the program to two parent families where children are deprived of parental support due to unemployment of the principal wage earner (AFDC-UP).

State are required to reevaluate their benefit levels every five years.

The bill also authorizes a wide variety of demonstration projects to test innovative approaches to welfare and work transitions. The Secretary of DHHS is authorized to grant waivers of regulations affecting any program authorized by Title IV of the Social Security Act, including welfare, child support enforcement, work programs and child welfare, foster care and adoption, as well as Title XX, the Social Services Block Grant.

While H.R. 1720 and S. 1511 differ in important ways, they both would impact substantially on the way payments and services are provided to welfare recipients. The bills only will be effective in reducing welfare dependency if local operations change substantially. For that reason, questions have been raised about whether the changes envisioned in these bills are feasible.

1.3--Welfare--Reform Dialogue on Implementation and Operational Feasibility

The Senate Committee on Governmental Affairs chaired by Senator John Glenn has tackled the question of operational feasibility of the welfare reform proposals. In a letter to Charles Bowsher, Comptroller General of the United States, Senator Glenn wrote:

In order to improve the probabilities of successful implementation, it is also crucial that Congress consider the administrative aspects of welfare reform before the final legislation passes. Toward that end, the Governmental Affairs Committee is considering possible legislative changes which might improve welfare workability in advance of Congressional passage.

Senator Glenn went on to identify four areas of particular concern to the Committee:

- Improved case management, including automated systems;

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- Use of contracts between welfare agencies and recipients;
- Coordination of services for both mandatory and voluntary recipients; and
- Development of target populations of recipients.<sup>1</sup>

Senator Glenn asked the GAO to convene two panels of experts to examine the workability aspects of welfare reform. He asked that one panel consider the issue from the standpoint of state and local agencies; the other would consider it from the federal viewpoint. He also asked that the GAO prepare a report distilling past GAO studies related to welfare reform and other research related to these issues.

In response the GAO requested the assistance of the National Academy of Public Administration (NAPA) to arrange a one-day conference of experts co-chaired by GAO and NAPA staff. The GAO prepared an issue statement for the meeting which identified key questions regarding case management, coordination of services, client/agency contracts, and target populations. This statement is shown in Attachment I.

The panel convened by NAPA consisted of twelve individuals with substantial experience in welfare management and evaluation:

- Two local welfare administrators with experience in case management and work programs demonstrations;
- Two state welfare administrators, one from a state with an innovative work/welfare program; the other from a state with a service integration demonstration;
- Four experienced welfare evaluators representing major research and evaluation organizations;
- One academic researcher with considerable knowledge in service integration and welfare administration;
- Two representatives of the National Governors' Association; and
- A representative of the GAO Cash Welfare Group.

Staff from the Senate Governmental Affairs Committee and other GAO staff observed the discussion. Attachment II is a complete list of participants.

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1. Letter from Senator John Glenn to The Honorable Charles Bowsher, July 7, 1987.

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The panel met for five hours on July 21, 1987, for a free-wheeling discussion of the topics raised by Senator Glenn and other topics of concern to the panelists. Many of the issues raised were not specific to the pending legislation, but also affect welfare management under current legislation. The panel members did not limit themselves to implementation and operational feasibility concerns, but addressed issues of program design as well. Not all topics were fully discussed and no attempt to reach a consensus was made. The discussion was characterized by the absence of disagreement, rather than by formal agreement.

This paper reports on the comments of the panelists, singly or collectively. Unless otherwise noted, the statements cited reflect the views of one or several panelists to which no objections were raised. They do not necessarily reflect the opinion of all panelists.

The topics discussed have been organized into three broad categories: issues of program design affecting state and federal relations; those affecting worker interaction with clients; and those relating to the target groups served. The Executive Summary, which precedes the discussion of issues, identifies the implications of the discussion for legislation.

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2. Program Design Issues Affecting State/Federal  
Relationships

AFDC is currently operated jointly by the states and the federal government with each party contributing a share of the cost. The federal government contributes to the cost of the program as long as states follow federal rules. Since the proposed legislation would affect that partnership, the welfare reform implementation dialogue considered several aspects of state/federal relationship in design of the program. Panelists were interested both in the design of an ideal program and in the reality of a program to be implemented by 51 different states and thousands of local jurisdictions.

2.1 State Discretion

The debate on federal prescriptions versus state discretion reflected the panel's recognition that the actual program, once implemented, would result from planning and operational decisions made by state and local agencies. Congress and the federal government should recognize these practical limitations of their power to design the program. This reality has both philosophical and administrative implications. The panel's conclusions grew out of a discussion of differences between states:

- The labor markets in the various states cannot absorb welfare recipients at the same rate because of different economies.
- The dominant characteristics of welfare recipients vary so much that some states will find it easier to place recipients in jobs than others.
- The capacity of state governments to implement complex programs differ.
- The motivation of taxpayers and state governments to fund expensive programs differ.
- The administrative structure in the various states means that federally prescribed service linkages will work in some states but not in others.

The panel cited these factors in arguing for maximum state discretion in designing the welfare-to-work program that is the heart of welfare reform.

Yet, at the same time, panelists recognized that some states need federal prodding to do more than the minimum required. They cited certain poor Southern states which receive up to 78% in FFP for welfare costs. The proposed legislation would provide only a 60% or 65% match for the jobs programs, providing these states with little

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incentive to develop strong welfare-to-work programs.

To make welfare reform work, the panelists proposed a more creative partnership between the states and the federal government. They suggested that the federal government should join with those states that wanted an innovative, expansive program by providing additional resources to enhance state funds. But they also recognized that the federal government must mandate a basic program, a floor below which states could not fall. If states have too many options, the panelists said, some won't do anything, so federal requirements are necessary.

From the administrative perspective, panelists recommended a high degree of flexibility for the states. One panelist divided the states' administrative capacity into three tiers: high, middle, and low. The program as implemented will reflect the capacity of the state, and even high capacity states will have difficulty implementing a program as comprehensive as the House bill prescribes. However, several panelists noted that if a state is able to integrate the program into services it already provides, it will be more successful. A strong commitment from the governor is necessary to make a cross-cutting program like this work.

The panelists noted that the Ways and Means version of H.R. 1720 mandates a comprehensive list of manpower development programs that the states must provide, while S. 1511 only lists an array of programs that states may provide, reflecting the current authorization for the WIN/WIN Demo program. The Senate bill offers the states more latitude in designing their own programs: states can pick and choose an array of services. Each state can design a program that reflects its assessment of client needs, the resources it is willing to commit, and its capacity to operate the program in the context of its administrative structure and historical service linkages.

The panel recommended that the program be designed to maximize state flexibility, avoiding the time consuming waiver process. The proposed legislation authorizes the Secretary of the federal cognizant agency (Health and Human Services (HHS) in the Senate bill, either Labor or HHS in the House bill), to issue waivers to allow states flexibility in program design. In the Senate bill, the Secretary is authorized to issue comprehensive waivers allowing the consolidation of programs. The panel noted that a waiver authority implies that a norm exists and innovative approaches are exceptions to the norm. The current administration has been reluctant to grant waivers even though it has the authority to do so.



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2.2 Coordination of Services

The panel also considered how an ideal program should be designed, noting that not all state and local agencies would achieve the ideal. While the federal government cannot mandate the ideal, the legislation should assist state and local agencies to move toward that ideal.

Although both bills provide enhanced funding for manpower development programs geared to AFDC recipients, the panelists agreed that more comprehensive services were needed. The educational system needs to be involved to assure adequate preparation of young welfare recipients for the work force, and both bills mandate educational opportunities for young parents without high school degrees. Social service and health programs are needed to address the problems of teen pregnancy. And coordination with programs funded under the Job Training and Partnership Act (JTPA) is essential to avoid duplication of effort. But would the case management function included in the welfare reform legislation extend beyond oversight of the employment services?

Through its attention to the problems of teen pregnancy and education for children receiving welfare, the Senate bill emphasized preventive strategies more than the House bill. The panelists commended this approach.

The program could work in two ways: by providing minimal employment services such as job search; it could chip away at the welfare caseload, helping those most employable find jobs. Or through comprehensive employment and other services addressing a wide range of client problems, it could dig deeper into the caseload and have a major impact on welfare dependency. These comprehensive services require linkages with other service networks and case management extending beyond the scope of the welfare agency.

Yet the panel recognized that the federal government could not mandate these linkages. Entrenched power structures in each state mean that the linkages would have to be worked out in each state through negotiation at both the state and local levels.

The problem for each state would be how to assure access of welfare recipients to the services provided through other networks. JTPA and compensatory education programs are currently mandated to serve welfare recipients, but the panel doubted that these requirements were sufficient.

A panelist from Massachusetts described the linkage between that state's Employment and Training (E.T.) Program and the JTPA and employment service network. Under E.T., the welfare department purchases services from the employment agencies and is able to mandate priority service for welfare recipients. E.T. uses performance-based contracting which holds the employment programs accountable for

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service delivery and successful outcomes for welfare recipients.

The panel agreed that a single point of funding and a single point of accountability would be necessary. The lesson learned from the services integration demonstrations of the 1970s was that such integration only occurs if there is a single point of funding. Locating responsibility in one place does not mean that all services need to be provided by one agency; various contracting mechanisms can be used to provide welfare recipients access to other programs.

The panelists agreed that the single point of accountability and funding should be in the welfare department. They noted that the Senate bill and the Ways and Means bill provided for this. However the Education and Labor substitute would move the jobs program from HHS to the Department of Labor. This version would give governors the option of selecting either the welfare department, the employment agency, or another agency as the lead agency for implementing the program, subject to the approval of the Secretary of Labor. However the panelists recommended leadership by the welfare agency at both the national and state levels.

Several panelists noted that the states are looking for federal leadership on services integration. However the states perceived the overlapping committee structure in Congress, where different committees have jurisdiction over related programs, to be a barrier to services integration. Another barrier was the Administration's reluctance to grant waivers allowing states to integrate services.

### 2.3 Performance Expectations

Federal legislation authorizing state and locally operated programs presents an outline of the program, but the details of program operations reflect the variances of the agencies which deliver the services. The federal government is limited in its ability to prescribe operating policies and procedures, as the earlier discussion of state discretion indicated. However, it can encourage state and local agencies to provide better programs through performance measures, which reward or sanction agencies based on their performance. The selection of performance measures should reflect the goals of the program and consideration of what an ideal program would look like.

Several panelists were concerned that the welfare reform legislation is being presented to the public as a solution to welfare dependency. The expectations for success are high, but performance will depend on the resources expended and the nature of the target group served. There was some concern that with this legislation welfare agencies are being "set up to fail".

Expectations of success must take into account the varying capabilities of the states, the disadvantages of the target group in a competitive labor market, and the conflicting goals of interest

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groups.

The panel focussed on three issues related to performance expectations. How should the goal of the program be defined? Should performance be measured by participation rates or outcomes? Should the states be held to one national standard of performance?

Program Goals. The Senate and House bills state as their purpose that needy clients "obtain the education, training and employment that will help them avoid long-term welfare dependency." The bills contain a variety of provisions designed to:

- increase child support payments by absent fathers;
- establish paternity for illegitimate children;
- assist welfare children to obtain a high school diploma;
- encourage teen parents to live with their own parents;
- help welfare recipients to obtain education and training;
- help welfare recipients to find jobs;
- reduce the size of welfare caseloads; and
- assure adequate child care for welfare children.

One panelist pointed out that different interest groups will evaluate the success of the program using different criteria. Some will consider it a success if it assists clients to obtain an education, even if they do not get jobs. Others will evaluate the program solely by its impact on the welfare caseload. Some will look at the impact of the program on the children in AFDC households; others at the impact on parents. Even the stated goal of the program speaks to the process -- obtaining education and training -- not the expected outcomes: obtaining jobs, leaving AFDC.

The panel urged that the expectations for the program be clearly defined, although it noted that the ultimate success of the program will result from public perception, not from formal evaluation.

Participation Rates versus Outcomes. State performance could be measured in two ways: participation of recipients in the program or success of program participants in finding jobs or leaving welfare. Under the WIN program, one measure of state performance was the percentage of the AFDC caseload who participated. This encouraged states to provide minimal service to a large portion of the caseload, rather than intensive service to fewer clients. One panelist suggested that the same thing would happen with this program.

One panelist stated that all three bills contain an unstated goal

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of 100% participation, since they do not explicitly authorize lower levels of participation. Panelists noted that participation is difficult to document, since individuals may not participate fully in a program. Attendance must be recorded, and judgments made on standards for participation. In addition, reporting on participation by sub-groups (e.g. hard-to-serve individuals) is subject to manipulation.

While the panel agreed that measuring performance by outcomes was more valuable, they noted that the success of clients in finding jobs is affected by factors beyond the control of the agency, such as the labor market, or the skills the clients bring into the program. They cautioned against evaluating agency performance solely on outcomes.

The solution the panel recommended was evaluation of agency performance based on achievement of stated goals. Each agency or state would develop a plan for services appropriate to its service population and the local economy. The plan would include performance targets, and the agency would be evaluated on whether it met its target.

National Standards. The discussion on performance targets led to a rejection of absolute national standards. Given the differences among the states in program design, the local economy, and the service populations, the panel considered national standards as unworkable. The panel said that any national performance standards should be relative in terms of the state's performance over time, or in relation to the goals set in its plan. This approach has been used in Quality Control, and the bills themselves contain a similar approach for the establishment of paternity. The bills themselves do not mandate national standards. Both House versions state that performance standards must reflect conditions in each state. The Senate bill does not specify what the standards should include.

#### 2.4 The Contracting Model

The discussions of state discretion, comprehensive services and performance standards led the panel to propose that contracting be considered the model for state/federal relations. Under this model, each state would design a program meeting minimal federal requirements. States that wished to provide comprehensive programs could do so; enhanced FFP could be made available for those states. Each state would present the federal government with a plan stating what services would be provided to which target groups, and what outcomes would be expected. The federal government would determine if the plan was adequate, if the program met minimum requirements, and if the performance targets were acceptable. State performance would be evaluated against the plan.

The plan would be in the form of a contract between the state and the federal government. This concept is used in the Food Stamp employment program, where each state is given latitude to develop a

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program which suits its needs.

Panelists noted that the contracting model would not facilitate an overall national assessment of program performance, making it difficult for Congress to evaluate the program's impact. They noted that the more flexibility states are allowed, the more stringent the evaluation must be.

#### 2.5 Evaluation Strategies

In a brief discussion of evaluation strategies, the panelists recommended a range of evaluation typologies, including process evaluations to document what programs were implemented; descriptive evaluation of outcomes to determine what happened; and impact evaluation to determine why. If possible, control groups should be used. The practical problems of using control groups were considered more serious than the ethical problems. Members of the panel disagreed on whether evaluation should rely on outside data collectors, or use data generated in the course of program operations. Panelists familiar with the GAIN welfare-to-work program in California noted that the automated case tracking necessary for effective case management would provide a wealth of data not currently available.

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### 3. Working with the Clients

The heart of the welfare system is, of course, the interaction between the agency and its clients. The services the agency provides and the requirements that the clients must meet in order to receive services or assistance dictate how the welfare system actually operates. The welfare reform proposals would make extensive changes to this level of operation.

#### 3.1 Case Management

Case management has been defined as "the brokering and coordinating of the multiple social, health, education, and employment services necessary to promote self-sufficiency and to strengthen

family life." H.R. 1720 requires that "a member of the agency staff...provide case assistance services to the family; and the case assistant so assigned shall be responsible for (A) obtaining or brokering, on behalf of the family, any other services which may be needed to assure the family's effective participation, (B) monitoring the progress of the participant, and (C) periodically reviewing and renegotiating the family support plan and the agency-client agreement as appropriate." S. 1511 states that the state agency may assign a staff member to provide case management services.

The panel discussed the role of the case manager -- an agency staff member assigned to coordinate and monitor all services to a client -- in some detail. In this context case management is significantly different from the responsibilities currently assigned to welfare staff in most states. Panelists' comments about the responsibilities of income maintenance staff reflected a concern about the complexity of their work. Since the separation of services and income maintenance in the late 1960s, eligibility technicians have been solely responsible for monitoring clients' financial affairs and determining eligibility for assistance. The job has grown more complex and more technical because of increased emphasis on accuracy in determining eligibility, and complicated eligibility requirements designed to restrict eligibility to the most needy. Automated matches with income tax, unemployment insurance and other data bases, work and child support enforcement requirements, as well as changing eligibility rules have dominated the work of the eligibility technician to the exclusion of service provision. One panelist suggested that true welfare reform would address the need for administrative simplification in the welfare system.

At the same time, the social workers in the welfare agency have

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1. American Public Welfare Association, One Child in Four: Investing in Poor Families and Their Children: A Matter of Commitment, Washington, 1987.

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moved away from the provision of on-going services to welfare recipients. Child abuse and neglect and the needs of the elderly have demanded that social service staff serve a population other than AFDC recipients, according to one panelist.

Who is going to provide case management? In California, the state provided funds to establish a separate staff of case managers for the GAIN program, allowing eligibility workers to continue their current functions. Panelists agreed that few states would provide these funds, and welfare reform would not be accepted by the public if it meant setting up a new agency or great expansion of the current WIN or WIN/Demo staff.

Because of funding constraints, the experience of Massachusetts in operating the E.T. program was considered to be a more likely example for other states. According to a representative on the panel from that state, eligibility workers were retrained and administrative burdens were lifted from them. Workers were told that their job was to get people off welfare, not to get them on. To implement E.T., Massachusetts reorganized the work of the eligibility worker to simplify the paperwork, automated many tasks, and set up teams of workers, including specialists in education, housing, and training. A central coordinator worked with each team. The monitoring of client eligibility and income requirements was limited to significant issues and rule changes were restricted to monthly issuances. For instance, workers were told to do nothing about small amounts of unreported income, but only to take action if computer match reported that a client had a job. In addition, salaries for workers were increased.

The panel cited the Massachusetts experience, pointing out that states may have to redesign the role of workers in order to implement case management. The workers would have to determine not only if clients were eligible for assistance, but why they needed it. Retraining would be required. States would have to give a clear message to the workers: their job would be to get people off welfare, not get them on. Currently, however, the emphasis is on reducing the error rate, and the panelists worried about sending conflicting messages to the workers.

There is a possibility that the error rate would go up as workers struggled with their new responsibilities. States should be held harmless on error rates for several years as they implement the program and learn new ways of operating.

The panelists agreed that to implement case management, agencies would have to consider new staffing patterns. Not all eligibility workers could become case managers. The possibilities include: teams of workers, various specialists, as well as multi-level staff with lead workers and assistants. The legislation mandating case management should give agencies flexibility in assigning case management responsibilities. It may not be possible to provide clients with a single point of contact in the agency, since it may be

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more practical to retain some staff strictly for eligibility functions while others serve as case managers or coordinators, as Massachusetts has done.

Case management should not be limited to those services provided in the welfare-to-work program, but include the ancillary services clients often need, according to several panelists. Coordination of housing, education, health and other services should be part of the case manager's responsibility.

3.2. Contracts, Agreements and Sanctions

The House and Senate legislation state that the client must enter into an agreement (both versions of H.R. 1720) or a contract (S. 1511) with the agency obligating the client to participate in work or training activities and allowing states to sanction clients who fail to participate in the program. Agencies are obligated to provide child care and other supportive services which enable the client to participate. Under all versions the terms of the contract or agreement are subject to fair hearings.

While the panelists agreed with the concept of an agreement between the client and the agency, they differed on whether it should be termed a contract. The agreement would clarify what the agency expected of the client and reorient the agency mission toward "discharge planning". The agreement would set a plan for the client, and specify how welfare payments fit into the client's overall goal. The panel questioned if "contract" was a meaningful term, particularly since there are no sanctions against the agency, and some question whether the agency could enforce the terms of the contract. The terms of the agreement -- such as parental monitoring of children's school performance -- may be difficult to define and monitor. The California GAIN program uses contracts, but their validity has not been tested in court. In Massachusetts, agreements are used. One panelist wondered if sanctions would be enforceable without a contract, although the WIN and Child Support Enforcement (CSE) programs currently contain provisions for sanctions.

The panel recognized that, based on current practice, sanctions would be applied sparingly under any agreement or contract. Sanctions, such as those currently used against clients who fail to cooperate with WIN or CSE requirements, are time-consuming for workers, and divert worker time from helping motivated clients. They result in little pay-off through forcing unmotivated clients to participate. A panelist from California noted that families denied assistance for failure to participate in the work program would be eligible for the state's general relief program. Sanctions were considered more important for gaining political support for the program than for assuring the participation of unmotivated clients. The dollar value of the sanction was rarely high enough to force unwilling clients to participate. It was noted that sanctions could not be applied to clients who volunteer to participate.



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The panel agreed that the terms of the agreement or contract should not be subject to fair hearing. In both California and Massachusetts welfare advocacy groups have instructed clients on how to avoid program participation while retaining eligibility for assistance, and how to tie up the process with appeals. Any adverse action resulting from the client's failure to participate should, of course, be subject to due process.

The panel concluded that service agreements would be more effective in dealing with clients, but an enforceable contract with sanctions would be more politically attractive. The legislation would have to be written with enough flexibility to gain political support while allowing states to choose the most effective way of implementing it. States should be given the option of imposing sanctions, but not be required to do so.

The panel considered the impact of agreements or contracts on the Quality Control (QC) mechanism, and concluded that the effect would be disastrous. If QC reviewers attempted to monitor the agreements, they were likely to find a great of number errors and discrepancies. In many cases, it would not be clear whether either the client or the agency had fulfilled the terms of the contract. Questions of client attendance at training programs or agency provision of child care that the client considered acceptable, are subject to interpretation and difficult for reviewers to define. Therefore, the panel concluded the implementation of the contract should not be subject to QC review. The program should be considered a service and not a condition for eligibility subject to QC monitoring.

### 3.3 Administrative Simplification

Since case management would increase the workers' responsibility, it would be necessary to simplify their current work. The proposed legislation does not address the administrative requirements of eligibility for AFDC, Food Stamps and Medicaid. The implied expectation is that agencies will maintain the strict application of those rules necessary to keep error rates down at the same time as they reorient their delivery systems to provide case management and family-oriented welfare-to-work programs. A panelist from Massachusetts noted that while the Regional Office of HHS, which administers AFDC, has been sympathetic to the changes that the state has made in the eligibility process, the Food and Nutrition Service of the Department of Agriculture, which administers Food Stamps, has not.

By way of example, local administrators on the panel cited the number of rule changes issued by their state agencies in one year, reflecting technical changes in federal or state eligibility requirements. In Virginia 346 changes were issued in one year, the number in California was approximately 1000. All of these changes needed to be explained to workers and filed in program manuals. In implementing E.T., Massachusetts developed a policy of issuing policy

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changes only once a month.

The panel also considered automation to be necessary if case management were to be effective. Automated systems are needed not only to simplify the workers' responsibilities in determining eligibility, but also for tracking cases, monitoring client participation, and informing workers of available service resources for clients.

Currently 50% of state and local expenditures for program administration are reimbursed by the federal government. States and localities can obtain 90% reimbursement for data processing equipment or software if they have approval from the federal government in advance. To earn this higher matching, state states must submit advanced planning documents which detail the proposed plan and provide cost/benefit justification. State and local administrators on the panel agreed that these requirements present serious barriers to the development of efficient systems which meet the needs of the state or local agency because they are too stringent and require too much advance documentation.

The panelists noted that the data processing market has changed considerably since the laws and regulations were written and charged that federal requirements were out of date. Hardware is less expensive, and pre-packaged software is easily available. The ceiling on data processing expenses which a state or local agency can spend without federal approval is far too low and therefore serves as a constraint. Ironically, it is now easier for state or local agencies to invest in expensive staff than to purchase a cost-effective data processing system. One panelist complained that if an agency purchases an interim system using micro-computers, it finds it more difficult to justify its plans for a more efficient, more comprehensive system, since the federal government will consider the interim system as sufficient.

State and local officials on the panel unanimously agreed that they would forego the 90% FFP available for data processing systems in favor of more flexibility in designing and purchasing data processing equipment. Data processing should be considered not as a special item, but on the same level as staff, equipment, and other expenses reimbursed at 50% FFP.

Panelists recognized that the federal government had an interest in assuring comparability in data systems across state lines, but pointed out that modern developments in software design allowed different systems to talk to each other. They did not endorse federal efforts to develop national software packages or to promote transfer of technology across state lines, since each state system would have to interface with other systems currently in use in the state, such as accounting, budget and personnel management, or Medicaid information systems.

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The proposed legislation does not address specifically the overall federal requirements for data processing systems. One section of S. 1511 contains provisions requiring data processing systems for child support enforcement. There are no similar provisions in H.R. 1720.

The panel also suggested that a careful examination of current eligibility requirements be undertaken relative to the new case management system. Would the regular monthly reporting required of employed recipients still be necessary if the case manager saw the client every month?

Another issue the panel discussed was integration of eligibility requirements, particularly in relation to Food Stamps. The proposed legislation does not address the issue of differing eligibility requirements, and even the demonstration projects authorized in the legislation do not include integration with Food Stamps. The panel recognized that this was beyond the scope of the legislation but noted that integration would contribute to the work simplification that would be necessary to implement case management. One member of the panel pointed out that experiments in services integration were tried in the 1970s, but very little came of them. Few state or local agencies made use of what was learned from those experiments. A GAO survey of state views on services integration found that states do not believe they have the authority to integrate services and are looking for federal leadership. The panel was unsure of whether states currently had the tools to integrate services, or whether integration at the federal level -- particularly in the Congressional committee structure -- was a necessary precursor.

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#### 4. Target Groups

The AFDC population is not homogeneous. Recent research has shown that the majority of families who get on AFDC go off within two years; only about a quarter of new entrants into the program remain dependent for long periods of time. Women who go on AFDC because they lose their jobs are apt to go off because they find new jobs. For these women, AFDC is a short-term emergency service to assist during a transitional period. Women who go on AFDC after the break-up of a marriage or the birth of a child are apt to rely on AFDC for longer periods of time. Given limited resources, the welfare-to-work program should be targeted at selected subpopulations within the AFDC caseload.

##### 4.1 Selecting the Target Group

Inherent to the design of a cost-effective welfare-to-work program is the selection of the target group to be served. Women with work experience and a high-school education need minimal service to find employment. These women are already oriented to the world of work and are motivated to find employment. An employment program can demonstrate good results by providing job search assistance to these clients at minimal cost. However, it is likely that many of these clients would find employment without the services of the employment program. Employment programs which concentrate on services to the most job-ready have been criticized for "creaming".

Evaluations of employment programs by the Manpower Demonstration Research Corporation (MDRC) have suggested that the AFDC population consists of three groups:

- those who can find employment with minimal or no assistance;
- those who can find employment after receiving intensive services; and
- those who are unlikely to find employment even with intensive services.

MDRC has found that employment programs have the greatest impact on the middle group and that a cost-effective program would be directed at this group, the largest of the three. A successful welfare-to-work program directed at this group could make substantial in-roads into the welfare population, while a simpler program could chip away at the caseload by helping the first group.

The MDRC research suggests that previous work history and time on welfare are the best indicators of which group any individual falls into. The panel noted this but did not develop a definition of priority target groups.

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The Ways and Means version of H.R. 1720 specifies the following priority groups for the NETWork services:

- teenaged parents, or parents who were teens when their first child was born;
- families which have received assistance for two or more years; and
- families with one child under six years of age.

Performance standards would be set to measure the participation of these groups and families with older children -- those who will lose their eligibility for assistance within two years because of the maturation of the youngest child -- in the program.

The Education and Labor version states that special efforts be made to serve these and one other group: parents who have been unemployed for one year or who lack a high school diploma. A different section of the bill sets incentives for states to serve those who have been on welfare for two or more years and single parents lacking substantial work experience. These groups are consistent with the MDRC findings.

S.1511 assigns priority to the following groups:

- families which have received assistance for 30 out of the past 60 months;
- parents under age 22 who have not completed high school; and
- unemployed parents.

The panel commented that, in comparison with the JTPA service population, all AFDC recipients could be considered "hard-to-serve". The bills require emphasis on the least job-ready who require greatest investment of public resources. Yet to meet public and political expectations for reduced welfare dependency, agencies may be tempted to concentrate services on the those who are more job ready.

#### 4.2 Incentives and Documentation

The bills differ significantly in the way they deal with incentives provided for serving the "hard-to-serve". The Education and Labor version of H.R. 1720 mandates that states make special efforts to serve such groups, and that priority for service be given to those who actively seek to participate in the program. In addition, performance standards will be set by the federal government that will provide incentives for states to serve the "most disadvantaged eligible participants, with special emphasis on (A) those who have a history of two or more years of welfare dependency, and (B) single

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parents lacking substantial work experience."

By contrast, S. 1511 does not define priority groups or set performance standards for the groups served. Panelists noted that this bill merely contains "non-creaming" provisions that provide a higher match for states which use over 60% of their funds to serve the "hard-to-serve".

The panel supported the Senate's method of measuring state efforts to serve the "hard-to-serve" by using expenditures, not by numbers of participants or measures of attendance. It noted that since welfare populations differ in terms of the proportion of those who are hard-to-serve, uniform national performance standards would be difficult to develop and difficult to apply fairly. Further, under the Senate approach, a state could provide an intensive program for a difficult population and thereby qualify for the higher match. The Senate bill also gives the states greater flexibility to design programs to meet the needs of their clients.

The panel noted, however, that measuring state efforts by target group would be difficult. It will be necessary to document client attendance at each treatment program and develop average expenditures by treatment. In California, GAIN has already run into problems of excessive paperwork as each county documents the cost effectiveness of each treatment program it provides. Adequate data processing support would be necessary for the program to document the allocation of resources by target group and treatment modality.

#### 4.3 Transitional Services

Both bills extend Medicaid and child care assistance for a period of time after a family is no longer eligible for income support. This extension is designed to eliminate the "notch effect" which discourages families from increasing their earnings because they lose Medicaid. Panelists considered these measures inadequate because they only delayed the notch, and did not eliminate it. They suggested the need for more innovative approaches, such as a sliding co-payment scale for Medicaid.

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Topic Statements and Questions

In his State of the Union address President Reagan spoke about reforming the existing welfare system and breaking the poverty trap. House and Senate Committees have recently held hearings and proposed legislation on reforming the welfare system. A common theme, running through the hearings and then proposed in legislation, is that AFDC parent(s) be required to support or at least help support their children by working.

The bill Family Welfare Reform Act of 1987 by the House Committee on Ways and Means and a proposal by the Senate Finance Committee called the Family Security Plan focus on holistic approaches to meeting AFDC recipients' needs in hopes that the recipient achieve freedom from welfare dependency. Common in these and other proposals are areas that may impact on how existing agencies manage and administer welfare programs. Three such areas we wish to pursue are (1) case management, (2) coordination of services and (3) client/agency contact.

Case management

Considering a holistic approach in welfare reform proposals, we would like your views on specific functions and activities that should be a part of case management. Once identified, please address for each activity the type of worker, e.g., case worker, social worker, etc., that should perform the activity, how this differs from existing welfare practices, how practical or feasible the transition will be to the new system, and the perceived cost/benefit.

In listing activities we hope that you include automated data processing (ADP) systems. Some discussion points on ADP may

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include what applications should ADP be used in the welfare system, the extent they should be used compared to current practices, and the practicality and feasibility of a uniform ADP system adopted by all local welfare agencies.

Coordination of services

Some welfare reform proposals suggest assessing needs of an AFDC client and providing services to the extent possible. Some of the services, such as education, employment, and social services, come under the jurisdiction of different state and, in some cases, local departments.

We want to discuss the practicality and feasibility of various departments/agencies/programs, each with their priorities, collegially working to provide needed services to AFDC clients. Are responsibilities and priorities adequately covered in the proposals? Would you suggest jurisdictional changes in programs at the local, State, and/or Federal level? What suggestions would you make to insure that coordination of services between programs run smoothly under the welfare reform approach?

Client/agency contract

Some proposals call for a formal contract between client and agency with sanctions against the client for nonperformance. Other proposals suggest a written client plan be signed but sanctions for nonperformance are not included.

We want your views on the mandatory and voluntary agreements suggested in the proposals. For example, are the mandatory contracts enforceable? Without sanction provisions under voluntary agreements will clients attempt to complete the agreement? What



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impact will sanctions have on the family? Are the length of sanctions adequate? Will legal action likely be taken by a sanctioned client when another client in the same state was not required to sign a contract because scarce state resources did not allow for providing services to all clients? Should sanction provisions cover clients that complete the contract but, shortly after taking full-time employment, they willfully quit working to go back on the welfare rolls?

Target Populations

The bills under consideration cover all AFDC beneficiaries as their target population and would intend to meet needs of this population through coordination of various programs. The House Committee bill further targets its efforts on (a) families with a teenage parent, (b) families which have received AFDC continuously for two or more years and (c) families with one or more children under six years of age. Are these the appropriate groups that should be targeted? Do these bills represent the best approach in meeting the needs of these target groups?

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Welfare Reform Dialogue  
Implementation and Operational Feasibility

July 21, 1987

List of Participants

**Chair:**

Don Wortman  
Member, National Academy for Public Administration  
Former Welfare Administrator

Frank Frazier, Associate Director  
Income Security Programs  
Human Resources Division  
General Accounting Office

**Panelists:**

Robert Agranoff, Professor  
School of Public and Environmental Affairs  
Indiana University

Harold Beebout, Director of Research  
Mathematica Policy Research, Inc.

Teri Bergman  
Assistant Commissioner for External Affairs  
Massachusetts Department of Public Welfare

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Department of Human Services  
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William Morrill, President  
Mathtech, Inc.

Robert D. Reichauer, Senior Fellow  
The Brookings Institution

Alicia Smith, Staff Director  
Committee on Human Resources  
National Governors Association

Barry Van Lare  
Director of State Services  
National Governors Association

Guests:

Paul Light  
Special Consultant on Public Management  
Governmental Affairs Committee  
United States Senate

Jo Anne Bernhart  
Minority Staff Director  
Governmental Affairs Committee  
United States Senate

GAO Coordinator and Staff:

Jerry Aiello, Coordinator

Sarah Peth, Staff  
Technical Information Specialist

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Reporter

Bonnie Sether Hasler  
Urban Systems Research & Engineering

Executive Assistant

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# Letter and Federation for Community Planning Panel Report Entitled "Workability of Welfare Reform: A Local Perspective"

GAO

United States  
General Accounting Office  
Washington, D.C. 20548

Human Resources Division

BR7-140

November 9, 1987

The Honorable John Glenn  
Chairman, Committee on  
Governmental Affairs  
United States Senate

Dear Mr. Chairman:

This letter transmits our second report in response to your July 7, 1987, request asking us to convene two panels of experts knowledgeable about the administration of welfare programs--one panel each at the national and state level. We convened the panels to obtain insights on certain welfare reform issues: (1) case management, (2) contracts between welfare recipients and agencies, (3) coordination of services, and (4) target populations.

The national level panel met in Washington, D.C., on July 21, 1987. That panel's final report, Welfare Reform Dialogue: Implementation and Operational Feasibility Issues, was sent to you on September 30, 1987.

The second panel was sponsored with the Federation for Community Planning in Cleveland and met on August 13, 1987. The final report, Workability of Welfare Reform: A Local Perspective, is enclosed. Overall, this panel supported reform of the welfare system, but urged state and local discretion in designing programs that fit their conditions, such as limited employment opportunities and scarce resources.

As discussed with your staff, we plan to summarize the views of both panels as they relate to the proposed welfare reform legislation. We plan to issue this report to you later this year.

Should you have any questions, please call Mr. Franklin Frazier, Associate Director, on 275-6193.

Sincerely yours,

  
Richard L. Fogel  
Assistant Comptroller General

Enclosure

Appendix III  
Letter and Federation for Community  
Planning Panel Report Entitled "Workability  
of Welfare Reform: A Local Perspective"

"WORKABILITY OF WELFARE REFORM:  
A LOCAL PERSPECTIVE"

Report on a Panel Discussion of the  
Administrative Feasibility and Workability  
Issues Relating to Recent  
Legislative Welfare Proposals

FEDERATION FOR COMMUNITY PLANNING--CLEVELAND, OHIO  
UNITED STATES GENERAL ACCOUNTING OFFICE

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WORKABILITY OF WELFARE REFORM:  
A LOCAL PERSPECTIVE

SUMMARY

On August 13, 1987, a panel of city and county experts on welfare met in Cleveland to hold a dialogue on welfare reform. This meeting, arranged by the Federation for Community Planning for the United States General Accounting Office (GAO), was designed to address questions raised by the Senate Committee on Governmental Affairs regarding the administrative feasibility and workability of legislative proposals for welfare reform. The panel focused on two specific bills--the Family Welfare Reform Act of 1987 (H.R. 1720), and the Family Security Act of 1987 (S. 1511). Both bills would substantively change the existing Aid to Families with Dependent Children (AFDC) program.

The panel addressed four primary issues of Committee interest: (1) improved case management, including automatic data processing (ADP) usage; (2) the use of contracts between welfare agencies and recipients; (3) coordination of services for both mandatory and voluntary recipients; and (4) development of a target population approach for providing services to recipients. The panel did not limit itself to these four issues, but discussed other fundamental aspects of welfare reform as well.

A brief summary of the panel discussion in relation to questions raised by the Committee and additional issues raised by the panel follows.

- Case management is a viable means of helping achieve the goals of welfare reform. Results on a small scale seem to indicate that providing individualized services can work to achieve intended program outcome goals. The real question is: To what extent can it be expanded within resource limitations? (See p. 4)
- Contracts and sanctions should generally not be part of welfare reform. Agreements between the AFDC recipient and the agency would be useful, but panelists disagreed on the extent to which agreements should be formalized. (See p. 7)
- Coordination of services would require reducing present program complexities. Top-down coordination efforts, beginning at the congressional level, were advocated. (See p. 8)
- Targeting certain AFDC recipients for self-sufficiency makes sense. Topping the list should be AFDC-unemployed parents, followed by teenagers and younger AFDC recipients. The largely male population found on the



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nonfederal assistance welfare rolls should also be considered for targeting. (See p. 9)

Panelists also discussed the following reform issues. (See pp. 11-15)

- Limited employment opportunities are a fundamental barrier to achieving employment for AFDC recipients. While this barrier may not be present in all areas of the country, some areas, such as the Cleveland area, are particularly affected.
- Limited resources will likely be another basic barrier to achieving employment for AFDC recipients; an example might be the lack of health benefits.
- Program goals should be more clearly stated in legislation. Two goals advocated by the panelists were (1) to stress quality of life for recipients and (2) to use an incentive (positive) approach to help the recipients achieve self-sufficiency. They favored these goals in part due to the likely shortage of adequate employment opportunities and resources, mentioned previously.
- States and localities need flexibility in implementing a reformed program. Demonstration projects that would allow states and localities to test new ideas and alternatives were viewed as desirable. These projects should be closely evaluated in terms of costs/benefits to identify solutions to be applied nationally.
- Consensus will be needed to achieve reform. Panelists said it was better to adopt a small program initially that all can agree to rather than risk losing welfare reform entirely because emphasis is placed on a very large effort.
- Transitional services time limits as currently spelled out in the legislative proposals are too short. Panelists noted that the 6- and 9-month Medicaid and day care benefit periods proposed by House and Senate bills, respectively, are likely to result in recipients returning to welfare as these benefits expire. They suggested a trial program that would extend these benefits for longer periods and then evaluate the results before implementing the changes nationally.
- A national health program was also advocated by some panelists.

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WORKABILITY OF WELFARE REFORM:  
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INTRODUCTION

BACKGROUND

In his State of the Union address in 1986, President Reagan spoke about reforming the existing welfare system and breaking the poverty trap. More recently, congressional committees have held hearings and proposed legislation to reform the welfare system. A common theme running through the hearings and the proposed legislation is that the AFDC program be reformed to encourage or bring about economic independence of recipients.

Two specific bills, one by the House Committee on Ways and Means, entitled Family Welfare Reform Act of 1987, and one by the Senate Finance Committee, entitled Family Security Act of 1987, focus on approaches to meet AFDC recipients' needs to achieve freedom from welfare dependency. Common to these two bills and others that would reform the AFDC program are changes that would affect how existing agencies manage and administer welfare programs. With strong indications that the Congress will enact reforms, there is some congressional concern about the administrative feasibility and workability of the proposed changes.

SENATE REQUEST

In July 1987, the Chairman of the Senate Committee on Governmental Affairs requested that GAO pursue some of the potential feasibility and workability issues of welfare reform. The Committee wanted to consider these issues in advance of congressional passage of reform legislation. The Chairman's letter requested:

"As part of this "Workability Assessment", I would like GAO to undertake a study on behalf of the Committee. To be more specific, I would like GAO to assess the workability of four major ideas under consideration in the current reform debate: (1) improved case management, including automated systems, (2) the use of contracts between welfare agencies and recipients, (3) coordination of services for both mandatory and voluntary recipients, and (4) development of target population of recipients."

The Chairman asked GAO to convene a panel of experts at the local level who could give the Committee insights on these four areas and, if they wish to, comment on any other provision in the bills.

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**ORGANIZATION OF PANEL**

To meet the request, GAO asked the Federation for Community Planning of Cleveland to form a panel of experts to consider welfare reform issues. This planning organization, representing some 220 institutions from the City of Cleveland and surrounding Cuyahoga County, usually acts through experienced human service experts in the community to provide planning for the city and county in providing human services. Invited to the panel were experts in employment, education, state and local human and social services, advocacy, and health. For a complete listing of panel members, see appendix I.

The panel was convened on August 13, 1987, by Dr. Ralph Brody, Executive Director of the Federation. The two co-chairpersons for the day-long session were Ms. Jan Murray, Associate Dean of Cleveland-Marshall College of Law, Cleveland State University, and Mr. Franklin Frazier, Associate Director, GAO's Human Resource Division.

Panelists began the meeting by discussing a variety of issues they felt fundamental to considering welfare reform. These issues ranged from the extent of the reform to program goals. Included was a discussion on what panel members thought of the goals as stated in the legislation, and, where they differed, what the goals should be. Details on the meeting follow.

**MAJOR ISSUES DISCUSSED**

Panelists addressed the four issues mentioned in the Committee's request and other issues they thought needed to be considered. They identified possible solutions to the problems discussed and provided examples where possible.

**CASE MANAGEMENT**

Both the House and Senate bills propose using case management as a part of reforming the AFDC program. Panelists explored issues regarding case management and concluded that, while workable on a small scale, questions remain about resource availability and planning needed to accomplish case management on a large scale. ADP usage was also discussed.

**Caseworkers' Tools and Authority:** The panelists discussed concerns about the adequacy of the tools and authority that might be provided to caseworkers in an improved case management system. An existing health system model was discussed, which, with certain revisions, panelists believed might fit the need. Under this model, caseworkers would work closely with the AFDC recipients to assess needs, match those needs with available services, steer individuals to these services, and then followup to assure services were provided and met the recipients' needs. Panelists noted AFDC

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caseworkers have not been doing this type of case management, and if they are given the responsibility, a number of needs and administrative conditions would have to be met to make the system work.

Panelists saw AFDC recipient needs assessment as one of the most critical elements of a case management system. However, the panel noted that, to do assessments, the caseworkers need some type of measuring device to accurately and reliably measure the status of the AFDC recipient.

Next they would need an inventory of available services, including those beyond the caseworker's own department to effectively match people's needs with available resources. For a large project, a computerized system would likely be required to effectively match and update people's needs with available resources.

Once a connection has been established between recipient and service, the service worker would need authority to cut through the existing bureaucracies. This authority should include: (1) the ability to provide some of the needed services under the direct control, or in the same department, as the caseworker; (2) options to contract out some services--such as through formal, private, or governmental sector contractual agreements; and (3) ability to cash out some of the services directly to the recipient. An example of the latter might be the caseworkers' ability to pay the recipients directly, through some type of voucher system, so they can purchase their own services, such as day care.

Finally, the caseworker would need the necessary tools to perform follow-up functions as part of the new case management effort or model.

Individuals from a local community-based work-training program, Cleveland Works, discussed some of their experiences in the community using a model similar to that discussed by other panelists. Cleveland Works placed about 155 individuals in permanent private sector jobs in its first year. Their comments follow.

- Caseworkers work with only a small number of AFDC recipients at a time. Staff estimated their service worker/recipient ratio was 1 to 12 or 1 to 15.
- Extensive assistance was provided to recipients to help teach them basic life management skills, such as how to dress for and act in a work environment. Their experience is that the intensive one-on-one interaction is needed to achieve any success.

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-- The program has access to a variety of community resources and employers in the area. This access is needed to provide suitable training and employment after training.

**Staff Adequacy:** Panelists noted that the activities discussed above are affected by additional considerations regarding the staff who would perform case management activities. One consideration is the availability of sufficient caseworker staff. Another consideration is the degree of skill needed to perform caseworker tasks. Some degree of caseworker skill will obviously be needed to work with the recipients. Panel members who are program administrators pointed out that obtaining skilled caseworkers would likely require additional hiring and training. They noted that many of their existing eligibility workers lack the education and/or training needed to perform the case management activities envisioned in the reform proposals. Moreover, both eligibility workers and the more skilled social service workers currently operate at or beyond planned capacity. In addition, panelists noted potential difficulties in renegotiating changed job duties and responsibilities with local union representatives that may result from the reform legislation.

**Cost and Scale Considerations:** Another issue discussed regarding case management is the overall cost. Panelists noted that if a new program is designed to service more than about 100 recipients at a time, as in the Cleveland Works' effort, apparently more extensive resources will be required. For example, if one wanted to serve 5,000 AFDC recipients, it becomes clear that even at a 1 to 30 caseworker to recipient ratio, such an effort would be expensive. A related issue the panelists discussed is the basic problem of managing programs of a larger scale. While a model, which runs on a micro level, already exists in the community, panelists were uncertain about problems that might accompany an expanded effort.

Additional considerations noted by panelists include the availability of support services and whether adequate employment opportunities will exist after recipients are educated and/or trained. According to the panelists, without service availability and adequate jobs, no amount of brokering or caseworker effort will result in success.

Panelists concluded that a case management model now exists for helping people achieve self-sufficiency. However, what is not clear is the extent resources would be made available to expand that model or additional problems brought about by this expansion. The panelists believed a considerable planning effort would be required up-front to achieve an expanded case management system.

**ADP:** Panelists noted that case management would benefit from adequate ADP systems. Specifically, ADP systems could be used to identify service availability and free up caseworkers' time, thus

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permitting more individualized casework. However, if these ADP systems are used as a means to impose additional administrative burden, such as monitoring for sanction purposes, additional systems would not be cost effective or desirable.

**CONTRACTS**

The proposed reform legislation requires that the recipient enter an agreement (House bill) or a contract (Senate bill) with the agency obligating the recipient to participate in work or training activities. It also allows states to sanction recipients who fail to participate in the program.

Panelists noted that contracts, mandatory participation, and sanctions all may sound good to the general public or taxpayer. However, they believe these concepts do not work and will do little more than perpetuate a myth that exists regarding welfare recipients--welfare recipients have to be coerced into working. Panelists believe nothing is further from the truth and opposed perpetuation of this myth. According to the panelists, welfare recipients will gladly leave the system if provided good incentives and remedial supports. As for agreements, panelists thought that they were a good idea, but differed in support of whether they needed to be in writing.

Some panel members were also concerned that the use of contracts, and possible related sanctions that might accompany them, might force people into low-paying, nonsubstantive benefit, jobs. If that is the objective, then contracts and sanctions might be needed, but they doubted such a system would work based on their experiences with sanctions used in other programs.

Panel members who were administrators of welfare programs argued that contracts and sanctions would create other negative impacts. First, people are started out on the wrong foot by suggesting an adversarial relationship between the agency and recipient. Second, another burden is added to administrators' already heavy workload. In monetary terms, these panelists wondered whether such a system would be cost beneficial, particularly in an environment where there are likely to be more candidates for good employment opportunities than the employment sector could provide.

In brief, the panelists suggested that contracts and related sanctions have not worked well in the past, and are not likely to work in the future, to achieve meaningful self-sufficiency for AFDC recipients.

Regarding mandatory participation, in addition to a general dislike for the idea, panelists noted a concern with the "net loss" provisions in proposed legislation. Under the House bill, states would be prohibited from requiring a participant to accept a job if

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it would result in a net loss of income (including the insurance value of any health benefit) to the participant or family. Under the Senate bill, a state could not require a participant in a job program to accept a salaried position if it would result in a net loss of income to the family (including the value of any food stamp benefits and health insurance), unless the state made a supplementary cash payment to the participant that would maintain the family's income at a level no less than the family would receive in the absence of earnings. Panelists expressed concern that the provisions were not specific enough and that besides being difficult to administer, some states or localities might misinterpret the provisions and force participants into employment situations that cost the family needed resources.

**Agreements:** The panelists offered mixed opinions on the idea of using service agreements in plotting a course of action for AFDC recipients. Service agreements as indicated by legislative proposals would specify the services to be provided and the extent recipients would partake in those services within designated timeframes. The panelists felt that some form of agreement between the agency and recipient was needed, but differed as to whether it needed to be put in writing. While some argued that providing a written plan was helpful for the recipient to remember and follow, others believed that even this level of formality was not needed for success. The panelists did agree that using formal agreements would significantly increase agency workloads. They generally favored avoiding the additional complexity and administrative burden that formalized agreements would bring.

**COORDINATION OF SERVICES**

Panelists discussed two general concerns regarding coordination of services: Complexity and planning.

**Complexity:** One concern regarding coordination of services is the current complexity of welfare. Panelists noted that many different federal agencies--the Departments of Agriculture, Education, Housing and Urban Development, Health and Human Services, and Labor--currently bring programs and services to the same recipient population. Yet, these programs are not well coordinated at the federal level, resulting in administrative complexity.

What is needed, according to the panelists, is "top down" coordination starting at the congressional level and extending down to the local level. Perhaps one central organization, preferably the Department of Health and Human Services in the case of AFDC program legislation, should provide the central accountability not only for the program results but also for coordinating the new and existing programs.

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The panelists discussed coordination problems caused by the different and complex federal regulations for the programs. For example, the AFDC and Food Stamp programs have been in place for some time, yet they still have many fundamental differences in regulations that place an administrative burden at the local level. Simplification of complex eligibility requirements of these and other programs would relieve some administrative burden.

**Planning:** Panelists pointed out a problem with the way states plan for programs at the local level. For example, Ohio sometimes sends a plan up for federal approval and then down to the localities for implementation after approval. The state sometimes fails to recognize differences among its counties. In short, the panelists expressed the need to have localities provide input to the planning process.

Panelists advocated both joint and bottom-up planning activities. One such plan that worked in the recent past was a three-way agreement reached between the federal job training program, the state bureau of employment and training, and the local agency. All parties--federal, state, and local--had an opportunity to have their needs met. Panelists preferred this approach and suggested it be part of any reform legislation. The panel was concerned that bottom-up planning may not become a reality if left on its own. They suggested legislation include provision for a local role in developing program goals, performance standards, and funding levels for the various services. To make this idea work, panelists recommended that legislation include state financial incentives and requirements for related documentation of state/local planning efforts, to help assure that bottom-up planning takes place.

**TARGETING**

Both the House and Senate proposals include provisions for targeting specific AFDC recipients for work program participation. With an understanding that the Cleveland area, and other areas like it, lack job openings, along with the panelists' doubts that the Congress would or could fund a program extensive enough to achieve employment for most AFDC recipients, the panelists discussed who should be served. The panelists identified the following target populations.

**AFDC-Unemployed Parents:** The panelists believed AFDC-unemployed parents should be a priority target population and that working with these families should be a stated goal. Although limited in number, these families may have less of a day-care problem because their children might be cared for by one of the parents.



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**Young AFDC Recipients:** The next priority for targeting, according to the panelists, should be young AFDC recipients. Panelists endorsed serving younger recipients for several reasons.

One reason is that they are perhaps more easily motivated, as opposed to older individuals who have relied on the welfare system for a long time. The panelists felt that the younger recipients are more likely to heed suggestions and achieve behavioral changes needed to make the transition to self-sufficiency.

Another important consideration is the potential employability of younger people. By way of contrast, as one panelist put it, "it is tough to get a 45 year old person, who has never worked outside the home, to compete in a labor market other than for low wage jobs." Such jobs, frequently service sector jobs, often lack adequate benefits, such as health insurance.

The panelists felt that spending the money and moving young recipients off the welfare rolls early offers the best potential for long-term savings to the taxpayers. Another advantage for targeting this group is to provide more opportunity for them to teach their children the value of work to effectively break the poverty cycle.

Conversely, the panelists felt that the younger group may also be the most difficult to serve. In addition to providing adequate education, employment and training, and support services, these individuals may lack basic maturity. Many of the younger recipients will need to be drawn into employment and skill training because they may not understand the potential of what is being offered. In short, while perhaps the best group from a potential standpoint, they may be the most difficult group to work with due to their age, inexperience, and possibly living in an unstable environment.

One panelist argued that we should consider the impact of stress on younger recipients with children under 6 years old. These families suffer from such adversities as providing adequate food and sufficient clothing for themselves and their children. These factors add stress to their lives. Putting these people into the work force might bring additional stresses that could be harmful to the health of the parent(s) and the well-being of the family. Perhaps educational opportunities should be provided for the younger recipient, but putting them to work, particularly in a nonsubstantive job, may in the long run be disadvantageous to society.

**The Welfare Male:** Another target population not directly considered in the welfare reform proposals is the young male on nonfederal assistance programs, who may also be one of the absent fathers of AFDC children not providing child support. Targeting training and employment opportunities to this population, the

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panelists believed, would make sense for a variety of reasons. It would help them support their families if they decided to marry. It could also help reduce AFDC costs by increasing child support payments, an objective of the reform legislation. The panelists recognized that certainly not all absent fathers are on nonfederal assistance, but believed a good many are and helping them to become working taxpayers might be the place to spend available resources.

**OTHER FUNDAMENTAL REFORM ISSUES**

This section highlights what the panelists believed were other fundamental issues regarding welfare reform.

**Extent of Reform:** Panelists pointed out that they view the poor and welfare in a larger context than just AFDC. Included in their perspective are (1) the AFDC population, primarily consisting of female heads of households; (2) the nonfederal general relief (GR) or general assistance population, which contains a large segment of the males on welfare in their area; and (3) the working poor, also a large segment of the population. Although not directly on "welfare," this last group is a concern because they make up a large percentage of potential welfare population. As a result, panelists expressed concern that welfare reform legislation may not address the total picture and, in fact, may focus attention away from even greater portions of the population who are also poor.

**Program Goals Versus Capacity:** The panelists reiterated the need for legislation to clearly state the goal of the programs. They believed specificity is needed to understand and help plan the reforms. For example, although not clearly stated, an assumption is that everybody that is capable should work. The bills use terms like mandatory participation and state options to include the total population of AFDC recipients, with only a few exceptions. In this regard, the panelists raised two fundamental questions: (1) To what extent will the labor market support meaningful employment opportunities for AFDC recipients? (2) To what extent will necessary resources be allocated to help AFDC recipients reach self-sufficiency status? They discussed each of these points at length.

First, regarding labor markets, panelists offered statistics on the Cleveland area labor market that they believe demonstrate why this question is important to consider when establishing program goals. Briefly, the Cleveland area was reported, using the State of Ohio's Bureau of Labor Statistics, to offer about 34,000 job openings each year. In contrast there are about 80,000 potential unemployed public assistance participants, (40,000 each from the AFDC and GR population) in the Cleveland area.

Panelists also noted that the 34,000 new jobs are usually service sector jobs. As a result, many of these jobs are likely to

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offer low wages and/or limited, if any, health benefits. Finally, the panelists noted that the above figures do not include the untold number of working poor and other workers who may also compete for these few jobs. Many of these individuals are in a much better position to compete for these jobs due to recent employment history.

Together, limited meaningful employment opportunities combined with the competition for a limited number of jobs indicate the dilemma facing both policymakers and program administrators when they consider moving sizable numbers of AFDC recipients into the work force. It also provides insight as to why such aspects as mandatory participation and contracts might need to be reconsidered.

Panelists noted that not all states or counties share the same employment picture. Yet, they agreed that the problem is large enough to warrant consideration of regional or local employment problems in developing any new federal program goals.

Second, regarding the question of resources, panelists pointed out that it may not be possible to implement a major support program leading recipients to self-sufficiency because current support programs operate at or near maximum capacity and the extent of resources needed to move people to self-sufficiency is likely to be extensive. This applies not only to education and employment and training programs, but also to the other supports, such as day care, transportation, and particularly health care benefits, which panelists felt are needed to make a reform program work.

One example of basic resource shortages in the Cleveland area was educational services. One of the items necessary to make AFDC recipients employable is remedial education. Too many of the poor, including AFDC recipients, have deficiencies in reading, basic math, or writing that may make them noncompetitive in the job market. Yet, nationally, in the panelists' opinion, little has been spent on a per capita basis for literacy training. This problem is left to a large extent to the state or local levels, which have difficulty in providing the necessary funds.

In the Cleveland area, funds for adult education come from federally funded adult basic education grants that the state provides to local school districts. In addition, local community groups also provide adult education funds. However, the combination of funds is inadequate to meet the need. A recent local effort to expand enrollment in the basic adult education curriculum provides an example. With an increase of 1,000 persons in the adult education courses, the educational system was overloaded. Yet, in the Cleveland area better than 90 percent of work program participants were found to need some sort of remedial education before they could even begin to use job training.

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**Specificity of Program Goals:** Another set of concerns raised by panelists had to do with a lack of clarity and conflict regarding outcome goals in the proposed legislation. The panelists pointed out that past job programs have cycled AFDC recipients through various training which at best frustrated their motivation. For example, individuals were trained to be welders when there were no welding jobs available in the community. In fact, some current AFDC recipients have already experienced three or four training programs. Great care is needed in designing programs that offer work incentives as a solution. As one member pointed out, "we need to do a better job than in the past on matching training and job availability. In the past, we have never had a good fit between employment and training and the existing job market." Specificity is needed in matching employment training to available jobs.

Panelists summed up their thoughts on goals as follows: The reform legislation should clearly state that it advocates achieving self-sufficiency by providing (1) opportunity, (2) benefits, and (3) incentives to make work more attractive than being on welfare. From the panelists' perspective, given our state of employment opportunities, no one has to force anyone to work. Provide a realistic opportunity, and there will be more applicants than opportunities for employment.

**Need for Reasonable Expectations:** Panel members recognized the need to find consensus among reform supporters. The panelists felt that the goal of making numerous welfare recipients self-sufficient may be too broad. As one panel member stated:

"we never really had a war on poverty. We started out to make war not realizing the extent of the problem, nor the amount of time and resources needed to make reform work. Now we are in a better position to understand some of the problems and to make inroads. However, if we start again with false goal expectations and misinformation on what we can realistically accomplish, successful reform is not likely to ever get off the ground."

Another concern shared by panelists related to the possibility of creating additional working poor. In brief, the issue turns on what level of benefits are needed to move people off welfare. Is it \$3.35 an hour without benefits or \$6.00 an hour with full medical benefits? Basically, the task of finding employment for AFDC recipients is a difficult one facing policymakers as well as administrators. At what level do you find employment for welfare recipients at such a rate that they will be willing, if educated and trained to hold that job, to leave welfare? The panel was concerned that the effect of the legislation would be to force individuals to take low-paying or non-benefit-providing employment. If it does, they would not think we gained any new ground through reform.

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**Transitional Services:** The reform legislation extends Medicaid and child care assistance to welfare recipients after they become ineligible for income support assistance. The House bill would extend benefits for up to 6 months, while the Senate bill extends benefits for up to 9 months. Panelists agreed with the idea of providing continuation of benefits, but expressed two concerns about the lengths of time proposed. First, it lacks incentive for individuals to take entry level jobs which may not pay benefits. Second, the failure to provide particular benefits for an adequate length of time, particularly health care, may only result in individuals reverting to welfare in order to care for family members.

The panelists suggested undertaking a study to determine which of two approaches would be most effective. One group of recipients would receive a long-term health plan. The second, or control group, would use the more limited time frames proposed in current legislation. Over time, a comparison could be made to determine if any cost/benefits were accrued to the first group over the second.

The panel also advocated the alternative of adopting a national health plan that would serve all the poor, not just those on welfare. As one panelist put it, "we have long ignored the long term cost of not providing health benefits to those who need it. Eventually, many of these people come to us with severe and costly problems as a result of long-term health neglect."

**Employer Incentives:** Providing additional incentives to employers to hire AFDC recipients was also considered by the panelists to be an alternative means of helping welfare recipients achieve self-sufficiency. Such incentives are already used for some disadvantaged individuals. Funding usually comes from such sources as block grant money or economic development funds. Under such an arrangement, the employers would be paid to hire and work with recipients for a specified period of time. The panelists believed giving additional monetary encouragement to employers makes sense and would likely result in placement of more AFDC recipients.

Another related idea is to make hiring AFDC recipients for public sector jobs a priority goal. This "hire-first" principle would enhance the availability of new job openings.

**Flexibility:** The panelists felt that any new legislation for welfare reform should allow flexibility at the local level. Panelists noted that localities should have the flexibility to identify available resources and, more importantly, deliver those resources. Flexibility, as mentioned under case management, should include options for the local agency, such as the use of vouchers or purchasing of services by the agency, to deliver needed services in the most expeditious manner possible. The panelists noted that states offer different levels of benefits and that there is a need

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to consider tailoring any reform approach to account for local differences as well.

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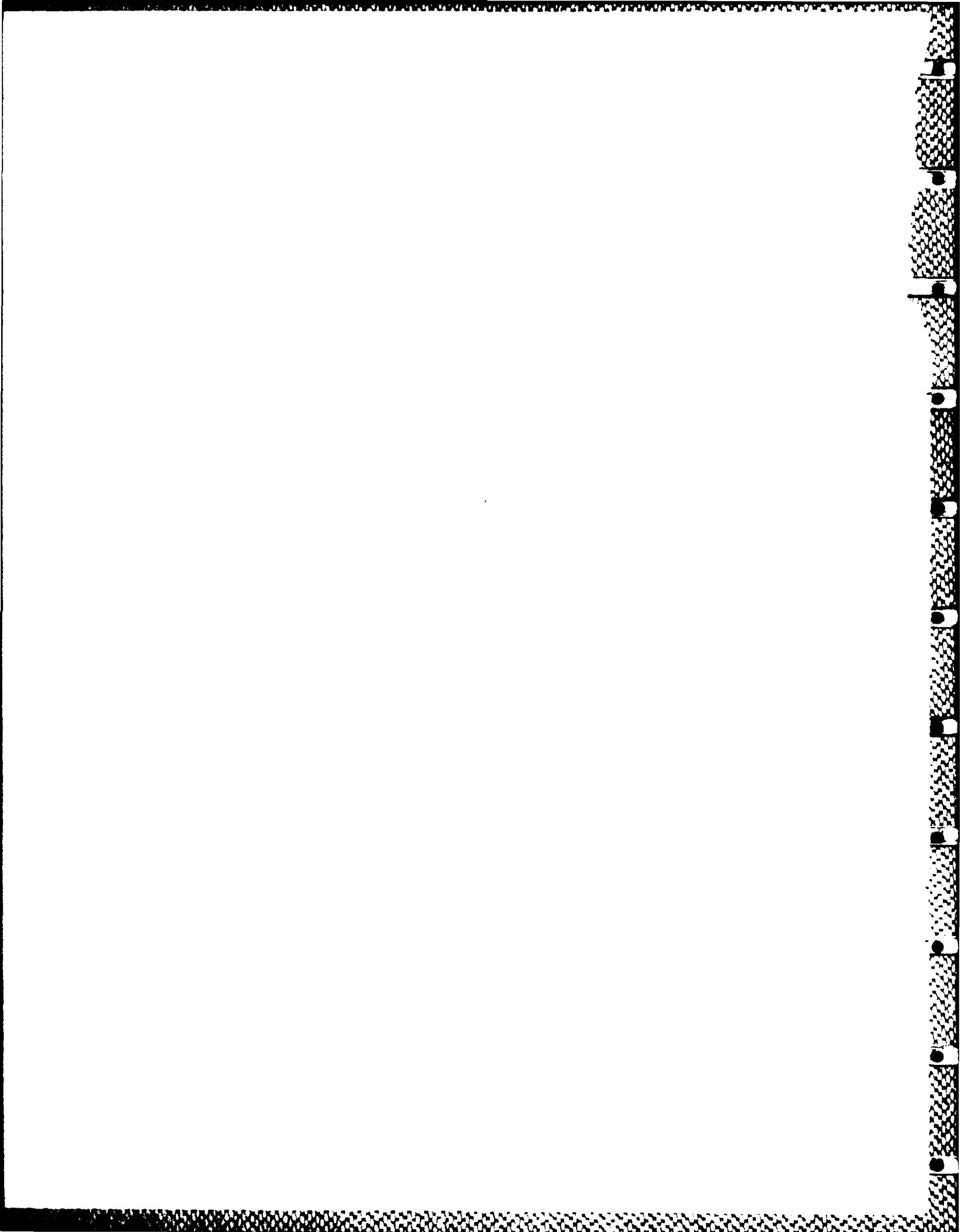
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